

## 2019 TAX REPORT FOR JOHN DOE

### KEY FIGURES

- Total Income: \$78,045
- AGI: \$68,091
- Deductions: \$20,144
- Taxable Income: \$47,411
- Total Tax: \$5,042
- Filing Status: Married Filing Jointly
- Marginal Rate: 12.0%
- Average Rate: 6.5%
- 2020 Safe Harbor: \$5,042
- Tax Exempt Pct. of Total Interest: 0.1%
- Tax Exempt Interest: \$1
- Qualified/Ordinary Dividends: \$333 / \$1,019
- ST/LT Capital Gains: \$87 / \$1,066
- Carryforward Loss: \$0
- Credits Claimed: \$500

### SCHEDULE D - CAPITAL GAINS/LOSSES

The tax return listed the following sources of capital gains/losses:

#### SHORT TERM

Description	Amount
Short Term Loss Carryover from	\$0
Short Term Gain/Loss for	\$87
Total Short Term Gain/Loss for	\$87

#### LONG TERM

Description	Amount
Long Term Loss Carryover from	\$0
Long Term Gain/Loss for	\$1,066
Total Long Term Gain/Loss for	\$1,066

#### TOTAL

Total Gains/Losses for	\$1,153
------------------------	---------

### ITEMIZED DEDUCTION SUMMARY

Total Itemized Deductions: \$20,144 vs. Standard Deduction of \$25,700

Deduction	Amount Claimed
Health Care Expenses	\$12,893
Taxes Paid	\$1,951
Mortgage and Investment Interest Expense	\$0
Charity	\$5,300
<b>TOTAL</b>	<b>\$20,144</b>

### MARGINAL TAX BRACKET INFORMATION

The marginal tax rate for your *ordinary income* is as follows:

Marginal Rate	Ordinary Income Threshold
10.0%	\$0 to \$19,400
12.0%	\$19,400 to \$78,950
22.0%	\$78,950 to \$168,400
24.0%	\$168,400 to \$321,450
32.0%	\$321,450 to \$408,200
35.0%	\$408,200 to \$612,350
37.0%	\$612,350 and above.

The marginal tax rate for your *capital gains and qualified dividends income* is as follows:

Marginal Rate	Taxable Income Threshold	Qualified Income (\$0 Total)
0.0%	\$0	\$1,389
15.0%	\$78,750	\$0
20.0%	\$488,850	\$0

### MEDICARE PART B/D PREMIUMS FOR 2019

Medicare Parts B and D premiums are impacted by Modified Adjusted Gross Income\* (MAGI)

\*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$174,000	\$0	\$0
\$174,000 to \$218,000	\$58	\$12
\$218,000 to \$272,000	\$145	\$32
\$272,000 to \$326,000	\$231	\$51
\$326,000 to \$750,000	\$318	\$70
\$750,000 and above.	\$347	\$76

**You:**  
\$68,093

**You:** \$47,411

## OBSERVATIONS

Less than 50% of dividend income came from qualified dividends. We should review the portfolio to determine if this percentage can be increased to reduce the overall tax paid on dividends

---

Your taxable income appears to be low enough to allow you to recognize long term capital gains at a 0% tax rate. If you expect to have low taxable income this year as well, you might consider taking some or all of any unrealized capital gains you might have.

---

Given that you are in a lower marginal tax bracket, you may consider converting any eligible retirement accounts to Roth

---

John is age 69.5 in 2019, and thus is eligible to start making Qualified Charitable Distributions next year.

---

The safe harbor for underpayment penalties is your total tax x 100%, or \$5,042.00. Note that the timing of your payments is also important with respect to avoiding penalties. Withholding from a paycheck or retirement account distributions is considered to have happened throughout the year, but estimated tax payments should be timed to correspond with the timing of the income earned. A tax professional should be able to help in cases where income is uneven throughout the year.

---

Your Modified Adjusted Gross Income (MAGI) suggests you are eligible to contribute to a Roth IRA. Note that Roth contributions must come from what the IRS called "compensation income". The tax return does include some compensation income.

---

Your tax return suggests you may have business income. Depending on your circumstances, you may be able to implement a retirement plan for the business to defer taxes.

---

You are not using the full state and local tax itemized deduction. If you pay property taxes, you may research paying those taxes in alternating years.

---

John is age 69.5 in 2019, and thus is eligible to start making Qualified Charitable Distributions next year.

---

Your tax return lists HSA contributions totaling \$3,500.00. The 2019 limits for HSA contributions were \$7,000 for families and \$3,500 for individuals, with an extra \$1,000 catch up provision for taxpayers age 55 or older.

## PENNSYLVANIA STATE TAX HINTS

State does not distinguish between long and short term capital gains

---

Federal and state pensions not taxed

---

Social security benefits not taxed

---

Retirement plan distributions not taxed (some limitations)

---

IRA distributions not taxed up to PA basis (since PA contributions not deductible)

---

In-state and out-of-state 529 contributions deductions per beneficiary - \$15,000 single, \$30,000 MFJ

---

Roth IRA distributions taxable over PA basis

---

Carried forward capital losses are NOT recognized - Gain not taxed at Federal level due to offset losses will be taxed in PA

---

when deciding on a business location, it helps to know if the municipality of choice has adopted the Business Privilege and/or Mercantile tax under Act 511. It assesses a set tax millage on GROSS receipts (not income). Typically the first \$1 million of gross income only, then the remainder is exempt.

### *Disclaimer*

*this is a disclaimer*